



# **Q3 2013 Results**

**4 November 2013**

Jan Bos, CFO



## Business highlights Q3 2013

### Financials

### Q&A

*Note to this presentation: comparative 2012 figures have been restated to reflect the effect of the adoption of IAS19R as well as the transfer of the customer contact services from Mail in the Netherlands to PostNL Other*

# PostNL reports solid third quarter results

## Increased outlook underlying cash operating income



### Q3 results

Underlying revenue

**€1,020 million**

(Q3 2012: €1,022 million)

Underlying cash operating income

**€16 million**

(Q3 2012: €4 million)

Reorganisation

**Ahead of schedule**

### Update outlook 2013

Underlying cash operating income

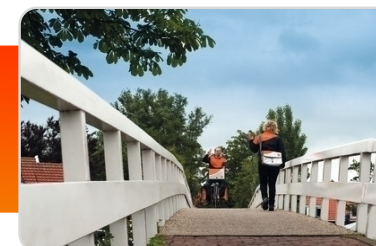
**€130 million - €160 million**

(previously €50 million - €90 million)

Cost savings

**€90 million - €110 million**

(previously €60 million - €80 million)



# Mail in the Netherlands

Volumes mainly impacted by substitution



(€ million)	Q3 2013	Q3 2012
Underlying revenue	488	506
Underlying cash operating income	(2)	(17)
Addressed mail volumes	-12.2%	-10.1%
Cost savings	30	3

- Reorganisation ahead of schedule with strong cost savings
- Quality further improved to 96.6%
- Implementation price increase as of 1 August 2013
- Cancellation Monday delivery and Sunday collection as of 1 January 2014, expected to be approved by Senate in Q4

# Pension agreement with main pension fund and unions\*

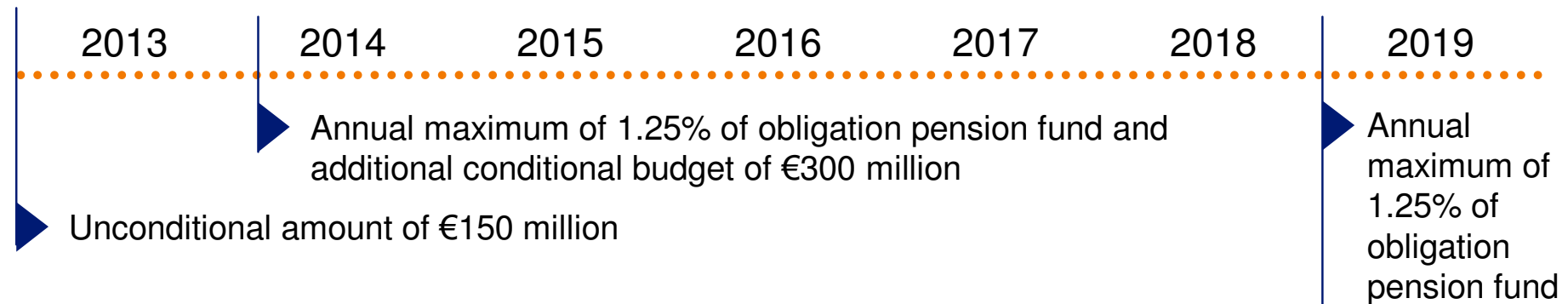
## Lower contributions and limitation of top-up payment obligation



### Reduction of cash pension contribution approx. €40 million

- Changes in execution and funding arrangement
- Pension contribution maximised at 27.5% of pension base

### Limitation of top-up payment obligation



#### *Payment terms of unconditional amount and conditional budget*

- payable in 5 yearly terms from moment PostNL resumes paying dividend
- payments starting ultimately 10 years after becoming unconditional

# Parcels

## Strong volume growth



(€ million)	Q3 2013	Q3 2012
Underlying revenue	192	183
Underlying cash operating income	20	20
Volumes	+8%	+5%

- Increased revenue due to volume growth
- Change in customer and product mix resulted in lower average price
- Operational performance increased €3 million (adjusted for incidental gain Pharma & Care in 2012)
- NLI roll out on track: 12 depots operational and 65-70% of volumes through new network

# International

## Revenue growth and stable business performance



(€ million)	Q3 2013	Q3 2012		
Underlying revenue	415	408	UK	Underlying revenue -2%
Underlying cash operating income	6	7	Germany	+8%
			Italy	+8%



UK

- Change in product mix resulted in lower revenue but higher margin
- Impact E2E on underlying cash operating income - €1 million
- Process co-investor progressing well



Germany

- More volumes from new and existing clients
- On track to break-even



Italy

- Continued strong volume growth Formula Certa (+12%)
- Household coverage 72%

# Progress in the sustainable delivery of cash

Underlying cash operating income target of €300 million - €370 million in 2015



## Operations Mail in NL

- 12 depots migrated in Q3; 91 depots migrated to date
- Positive advice from works council for staff reduction
- Delivery quality improved from 96.3% in Q2 2013 to 96.6%

## Pensions / CLA

- Agreement in principle on pension arrangement resulting in lower pension cash contributions and limitation of top-up payments

## Price

- Base price stamps increased as of 1 August 2013
- December stamp and 1 January 2014 price increases announced
- Tariff changes have been reviewed by ACM

## Regulatory developments

- Cancellation Monday delivery and Sunday collection as of 1 January 2014, expected to be approved by the Senate in Q4





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# Financial highlights

## Strong cash performance



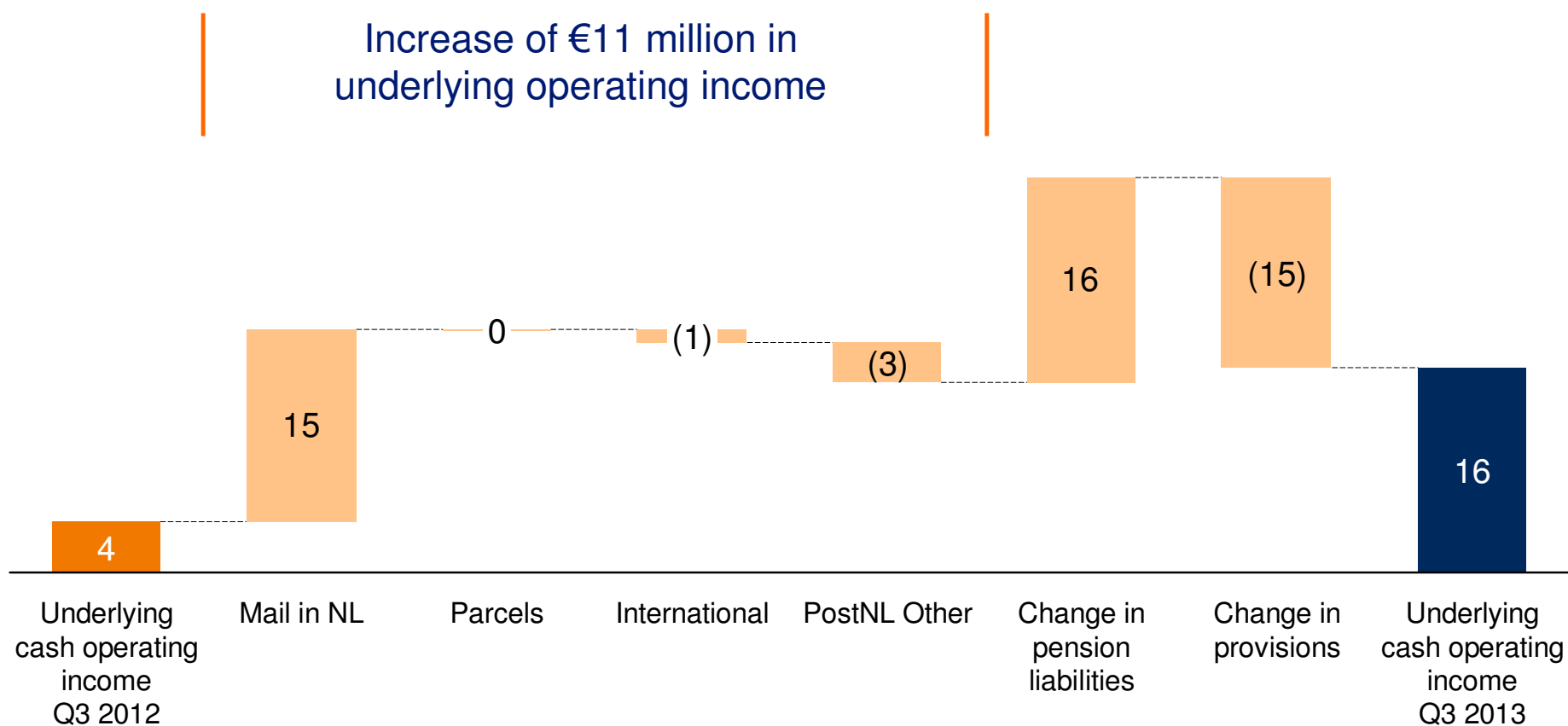
€ million	Q3 2013	Q3 2012	Change
Reported revenue	1,005	1,022	-2%
Reported operating income	36	41	-12%
Restructuring related charges	22	5	
Rebranding / other one-off costs	2	3	
Underlying operating income	60	49	22%
<b>Underlying cash operating income</b>	<b>16</b>	<b>4</b>	
<b>Net cash from/(used in) operating and investing activities</b>	<b>79</b>	<b>(96)</b>	

# Underlying cash operating income development

Mail in NL main contributor to increase



€ million



## Underlying results per segment



€ million	Underlying revenue			Underlying operating income			Underlying cash operating income		
	Q3 2013	Q3 2012	Change	Q3 2013	Q3 2012	Change	Q3 2013	Q3 2012	Change
Mail in NL	488	506	-4%	25	10		(2)	(17)	88%
Parcels	192	183	5%	21	21		20	20	
International	415	408	2%	6	7	-14%	6	7	-14%
PostNL Other/intercompany	(75)	(75)		8	11	-27%	(8)	(6)	-33%
<b>Total PostNL</b>	<b>1,020</b>	<b>1,022</b>		<b>60</b>	<b>49</b>	<b>22%</b>	<b>16</b>	<b>4</b>	

# Consolidated income statement



€ million	Q3 2013	Q3 2012
Revenue	1,005	1,022
<b>Operating income</b>	<b>36</b>	<b>41</b>
Net financial expenses	(29)	(25)
Results from investments in associates	216	(177)
Income taxes	(5)	(4)
<b>Profit for the period</b>	<b>218</b>	<b>(165)</b>
<i>Profit for the period (excluding TNT Express)</i>	2	12

# Net cash from / (used in) operating and investing activities

Phasing effects in working capital and tax main drivers



€ million	Q3 2013	Q3 2012
<b>Cash generated from operations</b>	<b>62</b>	<b>(35)</b>
Interest paid	(41)	(44)
Income taxes received	72	17
<b>Net cash from/(used in) operating activities</b>	<b>93</b>	<b>(62)</b>
Interest/dividends received	7	4
Acquisition and disposals	-	2
Capex	(21)	(40)
Proceeds sale of assets	-	2
Other	-	(2)
<b>Net cash from/(used in) operating and investing activities</b>	<b>79</b>	<b>(96)</b>

## Development of main cash flow drivers



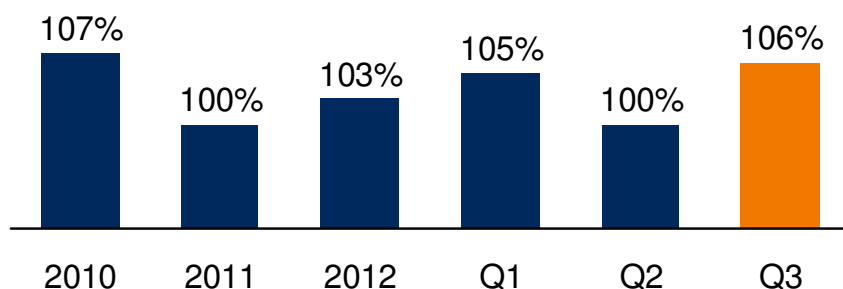
€ million	Q3 2013	YTD 2013	2013 outlook	2013 previous outlook
Cost savings	35	64	90-110	60-80
<i>Related cash out from provisions</i>	18	58	80-100	100-120
<i>Related implementation costs</i>	10	26	40-60	
Base capex	8	27		
Capex, cost savings related	3	7		
Capex, NLI Parcels	10	46		
<b>Total capex</b>	<b>21</b>	<b>80</b>	<b>~130</b>	<b>~150</b>

	28 Sept 2013	2015 outlook
Working capital (as % of annualised revenue)	-8%	-4% to -6%

# Pension developments



Coverage ratio



- Coverage ratio increased to 105.8%, impacted by the yield curve (DNB) and the positive return on plan assets
- Conditional invoice of €46 million cancelled

Pensions € <i>million</i>	Q3 2013		Q3 2012	
	Expenses	Cash	Expenses	Cash
Business segments	43	58	44	67
IFRS difference	(9)		(17)	
<b>PostNL</b>	<b>34</b>	<b>58</b>	<b>27</b>	<b>67</b>
Interest	5		(1)	
<b>Total</b>	<b>39</b>		<b>26</b>	



# Consolidated statement of financial position



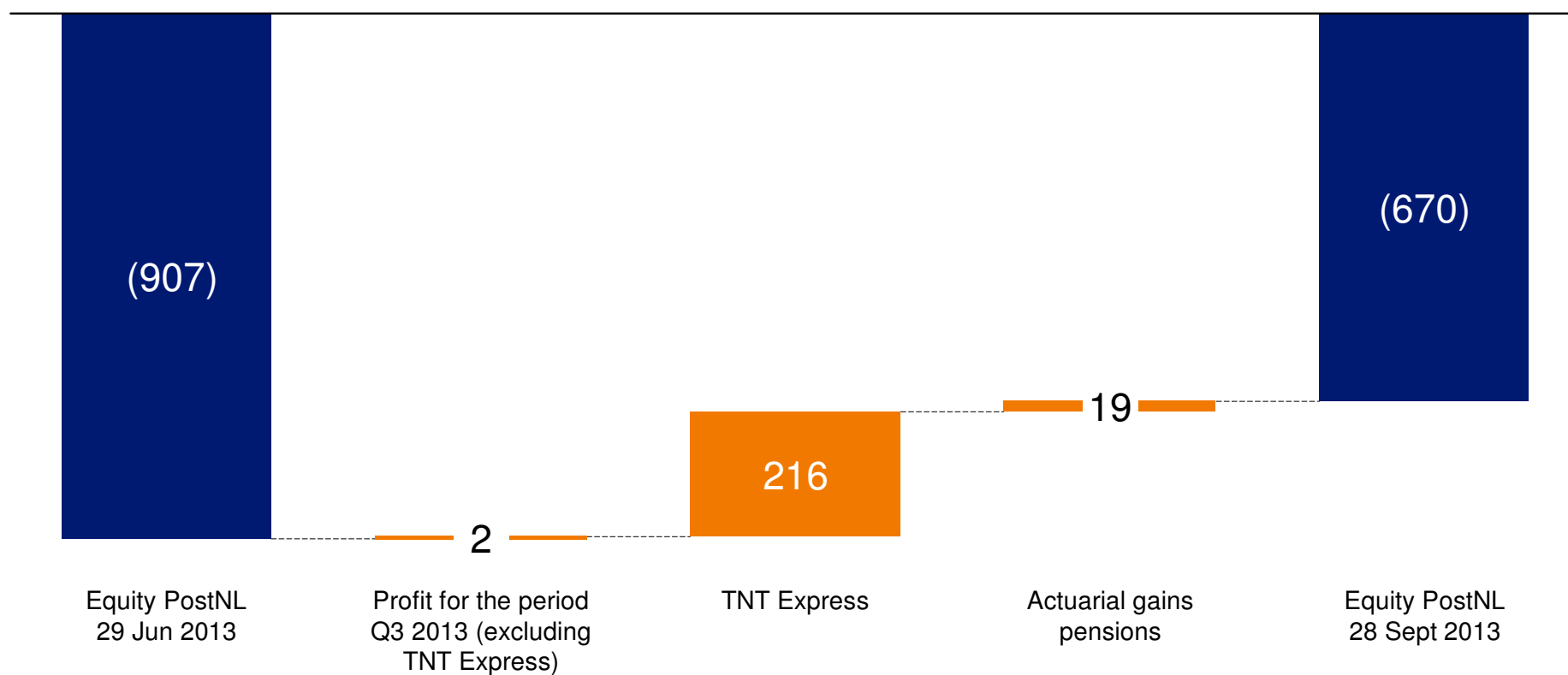
€ million	28 Sept 2013		28 Sept 2013
Intangible assets	162	Consolidated equity	(670)
Property, plant and equipment	536	Non-controlling interests	7
Other financial fixed assets	1,228	Pension liabilities	611
Cash	330	Long term debt	1,618
Other current assets	616	Other non-current liabilities	170
Assets held for sale	46	Short term debt	9
		Current liabilities	1,173
<b>Total assets</b>	<b>2,918</b>	<b>Total equity &amp; liabilities</b>	<b>2,918</b>

- Net debt of €1,293 million
- Corporate equity of €1,013 million
- Stake in TNT Express valued at €1,110 million

## Development consolidated equity Q3 2013



€ million



# Outlook 2013

## Increased guidance for Mail in NL and cost savings



€ million	Revenue		Underlying cash operating income / margin		
	2012	Underlying 2013	2012	2013	2013 previously
Mail in NL	2,270	- mid single digit	0.9%	1 to 3%	-1 to 1%
Parcels	730	+ high single digit	13.7%	11 to 13%	
International	1,624	+ mid single digit	1.7%	1 to 3%	
<b>Total</b>	<b>4,330</b>	<b>stable</b>	<b>130</b>	<b>130 to 160</b>	<b>50 to 90</b>
<b>Other updated indicators</b>					
Cost savings			<b>39</b>	<b>90 to 110</b>	<b>60 to 80</b>
Related cash out from provisions			<b>72</b>	<b>80 to 100</b>	<b>100 to 120</b>
Capex			<b>204</b>	<b>~130</b>	<b>~150</b>



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